



Adur Executive
1 February 2022
Agenda Item 5

ADUR DISTRICT COUNCIL

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

Budget Estimates 2022/23 and Setting of the 2022/23 Council Tax

Report by the Director for Digital, Sustainability & Resources

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Executive Summary

1. Purpose

1.1 This report is the final budget report of the year, the culmination of the annual budgeting exercise, and asks members to consider:

- The final revenue estimates for 2022/23 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2022/23, prior to its submission to the Council for approval on the 24th February 2022. This will be subject to any proposals to change the draft revenue budget following the consideration of the budget by the Executive.

1.2 The report outlines the medium term financial challenge through to 2026/27, discusses the continuing impact that the pandemic is having on our finances over the next year, and sets out performance in the key strategic areas of commercialisation, digital transformation and strategic asset investment. This has been updated to include the latest information regarding the impact of the pandemic on the Council financial position. The current budget strategy is having a significant effect on how the Council will be funded in the future with increasing income generated from commercial income and rents. Following the delay to the fairer funding review, the challenge still remains significant

for 2023/24, however the delivery of the budget strategy will ensure that this is met.

1.3 These budgets reflect the Councils' ambitions set out in *Platforms for our Places: Going Further and 'And then'*, and agreed savings proposals contributing to the financial sustainability of the Councils. The report also updates members about the impact of the draft 2022/23 settlement.

1.4 The major points raised within the report include:

- A full update on the impact of settlement. The Council should prepare itself for a continuation of the reduction in Government resources for 2023/24 and beyond (see section 4);
- Creation of a Covid 19 contingency budget from one-off resources provided by Government to fund both covid related risks and any associated recovery actions throughout 2022/23;
- Highlights the proposed funding for initiatives to support the Councils' ambitions set out in *Platforms for our Places - Going Further and And Then*;
- Details the proposals to invest in services outlined in Appendix 2;
- The Executive will need to consider whether to increase Council Tax by 1.99% or by a lower amount (section 5.10).

1.5 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2022/23 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension costs adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.6 The Police and Crime Commissioner (PCC) has already been informed that the referendum criteria for this year is an increase of £10.00 per Band D property which would be equivalent to an increase of 4.65%. The proposed 2022/23 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 28th January 2022. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 14th February 2022 at which point the Commissioner will be in a position to confirm the Council Tax for 2022/23 in time for Council on the 24th February 2022.

1.7 The draft Local Government Settlement allows Councils to increase core Council Tax by up to 2%. Those Councils with responsibility for Adult Social Care can increase Council Tax by up to a further 1% which

can be increased by up to 3% where they opted to defer the flexibility that was available to them in 2021/22. Therefore a Council Tax increase of between 3% and 6% for Councils with social care responsibilities is allowed for 2022/23.

1.8 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 18th February 2022. The formal detailed resolution setting the overall Council Tax for next year will be presented directly to the Council Meeting on 24th February 2022.

1.9 The following appendices have been attached to this report:

- (i) **Appendix 1** 5 year forecast for Adur District Council
- (ii) **Appendix 2** Proposals for investment in services
- (iii) **Appendix 3** Estimated Reserves
- (iv) **Appendix 4** Council Tax base for 2022/23
- (v) **Appendix 5** Summary of Executive Member Portfolio budgets for 2022/23

2. Recommendations

2.1 The Executive is recommended to:

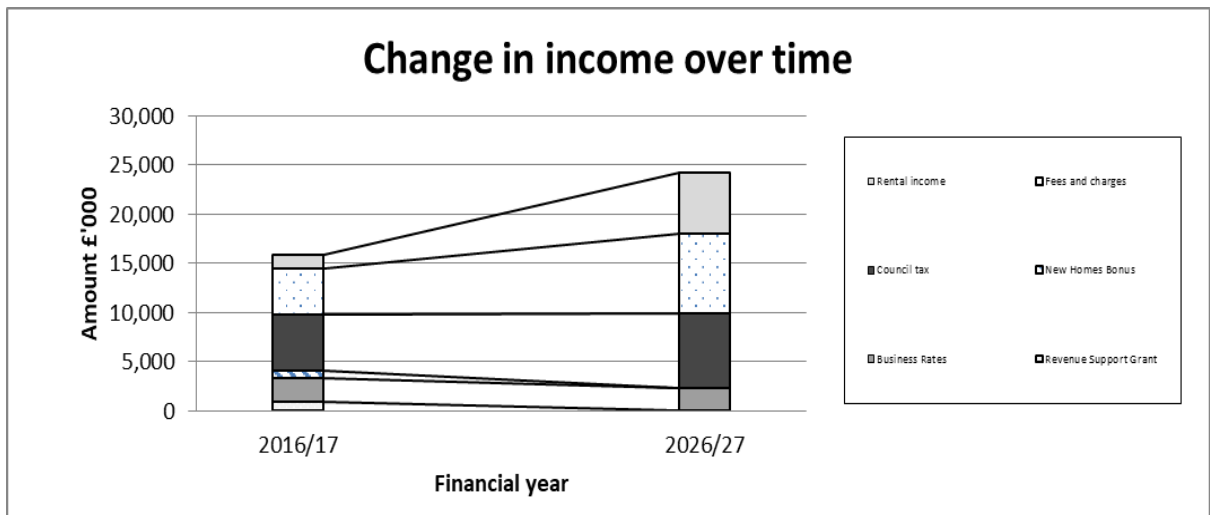
- (a) Consider and approve, if agreed, the proposals to invest in services outlined in Appendix 2;
- (b) Agree to recommend to Council the draft budgets for 2022/23 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £9,742,360 which includes provision for the proposals in Appendix 2, subject to any amendments agreed above; and
- (c) Consider which Band D Council Tax to recommend to Council for Adur District Council's requirements in 2022/23 as set out in section 5.10
- (d) Recommend to Council that special expenses of £25.29 per Band D equivalent to be charged in all areas of the District except Lancing.

- (e) Approve the Council Tax base of 21,699.7 for 2022/23 as set out in paragraph 12.3.

3. INTRODUCTION

- 3.1 The Joint Strategic Committee considered the report 'Developing a revenue budget for 2022/23 at the time of a pandemic' on 13th July 2021. This report outlined the current financial context, the key budget pressures and the budget strategy for Adur and Worthing Councils. The report built on the strategy first proposed in 2015/16 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax and business rates.
- 3.2 To address the known pressures and to realise its ambitions set out in *Platforms for our Places*, the Councils have set-up several strategic programmes delivering new income and savings for the next 5 years:
- The Major Projects programme will lead on delivering regeneration projects to increase employment space and additional housing;
 - The Service Redesign programme leads on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work;
 - The Strategic Asset Management programme will lead on delivering the income growth associated with the Strategic Property Investment Fund;
 - The Commercial programme develops initiatives to promote income growth from commercial services and seeks to improve the customer experience; and
 - The Affordable Homes Working Group leads on initiatives to improve the supply of affordable homes and to reduce the cost of temporary and emergency accommodation.
 - The Corporate Landlord programme which seeks to rationalise accommodation use and generate capital receipts from the sale of surplus assets and thereby reducing the costs associated with funding priority projects identified in *Platforms for our Place: Going Further*.

3.3 The successful delivery of our strategy fundamentally changes how the Council is funded while pursuing transformational approaches to how we deliver services and work with our partners. The Council is moving increasingly away from government funding towards funding from the local community via Council Tax, and will become increasingly reliant on income from commercial activities over time. Between 2016/17 and 2026/27 income from locally controlled sources (including Council Tax) is expected to increase from £11.8m to £21.9m, whilst at the same time income controlled by central government (including a share of business rates) will reduce from £4.1m to £2.3m.



3.4 The subsequent report to the Joint Strategic Committee, on 7th December 2021 updated Members as to the latest budgetary information and the forecast shortfall was revised as follows:

Adur District Council	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Overall shortfall – December forecast	155	1,202	1,371	1,725	2,066
Savings identified in December 2021	-168	-528	-888	-1,288	-1,618
Revised budget shortfall/ Surplus(-) as at December 2021	-13	674	483	437	448

- 3.5 The 2021/22 savings proposals identified within the report amounted to £168,000.
- 3.6 Since the meeting in December, the Adur District Council budget has been finalised and the last adjustments have been included subject to the final considerations about the level of Council Tax and any proposals to reinvest back into services. Overall, therefore, the current financial position of the Council for 2022/23 can be summarised as:

	£'000
Original 2022/23 budget surplus	-22
<i>Changes to income from grants and taxation:</i>	
(a) Improvements to the income from Council Tax	-80
(b) Impact of current forecast Council Tax Collection Fund deficit / surplus (-)	6
(c) Improvement to business rate forecast	-29
(d) Increased government income to compensate for increase to National Insurance costs - continuation of lower tier grant.	-75
<i>Other changes:</i>	
(e) Increase in the use of the temporary and emergency accommodation	150
(f) Impact of 1.25% National Insurance payments	138
(g) Refiling of capital programme	-
(h) Impact of 2021/22 pay award and regradings	24
(i) Net committed growth items identified by Service Heads (See Appendix 2 of the JSC report approved on 7/12/2021)	113
(j) Removal of contingency budget for committed growth	-70
Revised budget surplus as at 7th December 2021	155
<i>Impact of Settlement</i>	
Final change to business rate income following confirmation of the tariff and new multiplier	2
One off funding:	
New Homes Bonus	-146
Additional Lower Tier Grant	-5
Service Grant	-121
Budget Surplus following settlement	-115

	£'000
Budget Surplus following settlement	-115
<i>Adjustment for final items identified</i>	
Final assessment of Council Tax income and the collection fund deficit for 2022/23	3
Covid Contingency budget	120
One-off costs associated with the Local Plan	55
Impact of new tipping charge contract	45
Further reduction in car parking income due to continued impact of pandemic on income.	52
Removal of revenues and benefits savings target - staff resources retained due to impact of Covid on work volumes.	18
Removal of contingency for new service investment proposals	-70
Revised Budget shortfall	108
Less: Net savings agreed in December	-168
Budget surplus based on a 2% Council Tax increase (before any further action is agreed)	-60

4. 2022/23 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 4.1 The government published the provisional local government finance settlement for 2022/23 on 16th December 2021 via a written statement. Consultation on the provisional settlement closed on the 16th January 2021. This is a one-year settlement and in many ways is similar to the 2021/22 settlement.
- 4.2 Settlement confirmed the referendum principles set out above. The Councils will be able to increase Council Tax by up to 2% or £5.00 whichever is the lower.
- 4.3 Ministers will be re-starting the local government funding reforms in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023/24.

4.4 The impact of settlement can be summarised as follows:

- **Revenue support grant and baseline funding**

The Council will receive no Revenue Support Grant in 2022/23. Since 2016/17 the Council has seen Revenue Support Grant fall by £0.9m and has received no grant since 2018/19.

Whereas baseline funding (minimum amount of retained business rates) has frozen this year in line with the business rate multiplier at £1,767,150.

However, councils will be compensated for the impact of freezing of business rates via grants and the net overall impact of this change is a marginal loss of £2,000 in business rate income.

- **Lower tier services grant (£111m nationally)**

This grant which is broadly distributed on the basis of need but also includes an element to support those with reductions in Core Spending Power. Adur District Council will receive £79,270.

- **Services Grant (£822m nationally)**

A new one-off 2022/23 Services Grant has been created to fund core services which is distributed using the 2013/14 Settlement Funding Assessment methodology. Adur District Council will receive £121,820.

This funding will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

- **New Homes Bonus**

New Homes Bonus (NHB) will continue for another year but the government very clearly intends to phase out the current scheme by 2023-24. For 2022/23, there is no change in the operation of the scheme: the scheme works in the same way and applies the same threshold (0.4%). The threshold means that NHB payments will only be made on an increase in the council tax base that exceeds 0.4%.

NHB allocations of £554m will be made nationally. This is a one off allocation in 2022/23 and the Council will receive an additional grant of £146,440.

However given the transitional nature of this payment, it is not proposed to use it to balance the budget. Instead it is proposed that this grant will be set aside into a Covid contingency budget discussed below.

Overall the Council is expected to use the following amounts in NHB to support the budget over the next few years.

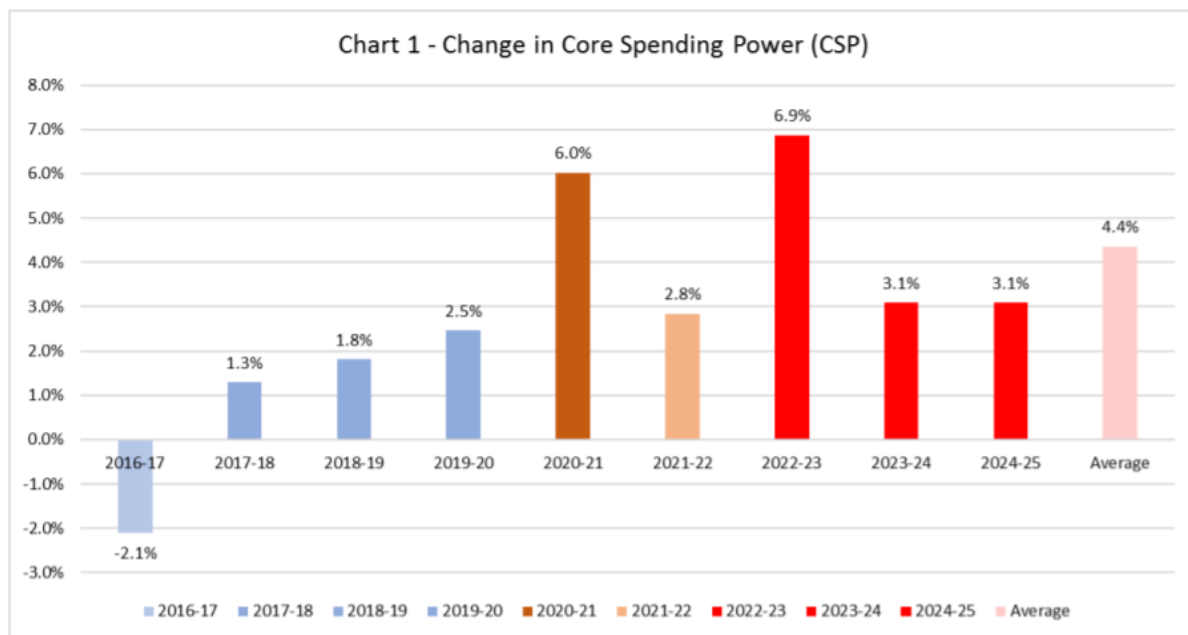
	2021/22	2022/23	2023/24 Onwards
	£'000	£'000	£'000
NHB used to support the budget			
2019/20 allocation	10	10	0
2021/22 allocation	8	0	0
2022/23 allocation		146	
Total NHB used to support the budget	18	156	0
One off payment in 2020/21 used to fund projects.	0	0	0
Total New Homes Bonus	18	156	0

4.4 Changes to local government funding in 2023/24 and beyond:

The Fairer Funding Review and the changes to the Business Rate Retention Scheme have now been delayed until 2023/24 at the earliest. However, there is now an intention to review and update the funding system with a clear indication that transitional arrangements will be in place for historic funding allocations.

4.4 Summary of 2022/23 Local Government Settlement

4.4.1 In overall terms, the 2022/23 settlement revealed that Core Spending Power (CSP which is the total of council tax, business rates, and government grant) has increased by 6.9% in cash terms which is roughly equivalent to a 4.0% increase in real terms. This is the largest increase for some time and it is expected that CSP will continue to grow for the following two years following the increases announced as part of the Comprehensive Spending Assessment.



4.4.2 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 13th January 2022 with final settlement expected in February.

4.4.3 There were few significant changes at this late stage in previous years. If there are any significant changes arising from the final information members will be briefed before Council.

4.5 **Update on current Business Rate Retention Scheme**

4.5.1 The business rate retention scheme has now been in place for several years. There are two key features which members are reminded of:

- 1) There is a 'safety net' in place for any Council whose actual business rates income falls short of the target income for business rates. The safety net arrangements will be of 7.5% of Baseline Funding which is equivalent to a maximum fall in income below the baseline funding level of £132,530.
- 2) A 'levy' is in place for any Council whose business rates exceed the target set. The levy will mean that the Council can keep 50p of every additional £1 generated over its share of the business rate target.

For each additional £100,000 raised the Council will keep the following amounts:

	Share of additional income	Additional Levy paid to treasury	Kept locally
	£'000	£'000	£'000
HM Treasury	50		
County Council	10	5	5
Borough Council	40	20	20
	100	25	25

4.5.2 The forecast for 2022/23 is currently being finalised. The 2022/23 NNDR return which underpins this forecast is due to be submitted by the 31st January 2022 and any substantial changes resulting from the final assessment of the business rate income will be managed through the business rate smoothing reserve which has been set up for this purpose.

4.5.3 The Collection Fund will have another deficit at the end of the current year, largely due to the additional Covid 19 (£1.7m) and other reliefs granted in the year. In addition, the losses incurred in 2020/21 are now being recovered over a three year period. Overall a deficit of £0.9m will need to be recouped in 2022/23 which can be broken down as follows:

	2021/22 £'000	Share of 2020/21 loss £'000	Total to be recovered in 2022/23 £'000
Adur District Council	59.0	130.6	189.6
West Sussex County Council	235.8	32.6	268.4
Government (HMT)	294.8	163.2	458.0
Total recovered	589.6	326.4	916.0

The Council has received compensation in 2021/22 for the additional reliefs granted. The losses, which can largely be attributed to the additional Covid reliefs, are funded from the business rate smoothing reserve in 2022/23

and 2023/24 set up to address timing differences in the business rate system.

4.5.4 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's ongoing financial pressures. Members will be aware that there are several schemes progressing which will create employment space. Examples include: Adur Civic Centre site, new warehouse at Shoreham Airport, and Monks Farm.

4.5.5 Finally, it should be appreciated that there are still a number of risks associated with the business rate forecast:

- It is difficult to establish the number of appeals which are likely to come forward. There is no time limit on when an appeal might be lodged. However to date far fewer appeals have been received following the 2017 revaluation following the introduction of the new 'Check, Challenge, and Appeal' process by the VOA.
- Major redevelopments will temporarily reduce business rate income whilst the site is being redeveloped.
- Conversion of office blocks and retail space into accommodation will result in a permanent loss of income however, this will be mitigated to some extent by the additional Council Tax generated once the conversion is completed.

4.5.6 Consequently there could be significant swings in the amount of business rate income in any one year. However, any shortfall in income will be recovered in the following financial year. The Council will fully provide for any known backdated business rates appeals at the 2021/22 year end. To help mitigate these risks the Council has created a Business Rate smoothing reserve.

4.5.7 Finally, as in previous years, Adur District Council will participate in the County Business Rate Pool which was suspended last year due to the uncertainty surrounding the impact of the pandemic on the business rate income. This has no direct impact on the budget itself as the Council is guaranteed under the terms of the pool to be no worse off by pooling, but it enables the County area to retain around £m business rates to invest in local economic regeneration initiatives, income which would have been paid to the Treasury. The pool is administered by the County Council and

funding is distributed by a collective meeting of all of the Leaders of the West Sussex Councils.

4.6 **Long term implications of current government policy**

4.6.1 The financing of local government has continued to change. We are moving from a grant based on need (Revenue Support Grant) to funding based on the delivery of homes (Council Tax) and the creation of employment space (Business Rate Retention Scheme). However, the proposed Fairer Funding Review and associated review of the Business Rate retention scheme will reset the position in the short term as business income will be re-distributed on the basis of need.

The income from Council Tax forms an increasingly significant proportion of the Council's overall taxation income over the next 5 years and so the decision regarding the annual increase has a greater strategic importance for both the current year and future years as well.

Breakdown of taxation income to the Council:

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	6,557	6,793	7,009	7,204	7,365	7,529
Business Rates **	2,435	2,567	2,199	2,241	2,286	2,332
Government grants***	571	259	59	0	0	0
New Homes Bonus	18	156	0	0	0	0
Total funding from taxation***	9,581	9,775	9,267	9,445	9,651	9,861

* Includes any surplus or deficit on the collection fund

** Includes the surplus or deficit on the collection fund and any levy account payment

*** Includes one-off Covid grants

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Council Tax	68.44%	69.49%	75.63%	76.27%	76.31%	76.35%
Business Rates	25.41%	26.26%	23.73%	23.73%	23.69%	23.65%
Government grants (incl New Homes Bonus)	6.15%	4.25%	0.64%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

5.0 DRAFT REVENUE ESTIMATES 2022/23

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £9,742,360. This includes the savings and committed growth proposals agreed at Joint Strategic Committee in December.

5.2 *Impact of the pandemic on the Council's budgets:*

5.2.1 As part of settlement the Council received a number of one-off grants particularly in relation to the pandemic. These include:

	£'000
Services Grant	122
Lower Tier grant	79
New Homes Bonus	157
Less: Allocated to support the budget	-183
Covid 19 contingency budget and other one off budgets	175

5.2.2 The pandemic will continue to impact on the Councils finances throughout 2022/23. Where these impacts have been able to be quantified, provision has been included in the draft budget. Nevertheless, depending on the speed of the roll out of the vaccination and the impact of any new variants of the illness, the rate at which income recovers is difficult to quantify. Risk areas relating to the pandemic include:

- Fees and charges income, particularly in relation to car parks. Whilst throughout 2020/21 and in the first quarter of 2021/22 the Government has committed to providing 75% funding for any lost income, this support is no longer available. Consequently all future losses will have to be funded by the Council.
- Impact on homelessness caseload. The Council has recently seen an upswing in cases and as a result has increased the budget by

£150,000. There remains a risk that demand and associated costs may increase further over the coming year.

- Additional staffing costs. Currently there are a number of areas where it is proving difficult to recruit new staff, consequently there is increasing pressure on staffing budgets.

5.2.3 In light of these risks, these resources have been set aside into a Covid 19 contingency budget which will also be available to support initiatives for economic recovery.

5.3 ***Delivering the Council's priorities:***

5.3.1 The budget is fundamental to realising the Council's ambitions set out in 'Platforms for our Places : Going further 2020-2023' and in 'And Then'. The budget enables the Council's role to lead and work with partners to develop our communities and our economies. Attached at Appendix 2 are some proposals for investment back into services to deliver the outcomes committed to in Platforms for our Places for member consideration.

5.3.2 The budget includes specific funding for the commitments outlined in Platforms for our Places. Examples include:

5.3.3 **Prosperous places**

The Council recognises the importance of ongoing investment in our places to ensure that they remain vibrant locations for social, economic and culture hubs for our communities. Budgets have been created to facilitate the delivery of major projects to enable the development of Adur's town centres and provide for additional employment land.

There is also investment through the capital programme, investing in facilities to improve the local economy.

5.3.4 **Thriving People and Communities**

The Council continues to see an increase in demand for our Housing Service, in particular from those who are experiencing homelessness. The Council has made funding available for new investments to acquire Council-owned temporary and emergency accommodation to improve the accommodation offered to clients and reduce the costs for the Council.

The Councils are also aware of the importance of our communities to have active lives and enjoy our parks and open spaces. Funding is proposed to improve parks and play areas throughout the area to promote health and wellbeing of our communities through the capital programme.

5.3.3 **Tackling Climate Change and Supporting our Natural Environment**

In July 2019 the Councils declared a climate emergency and have developed a comprehensive Carbon Reduction Plan, outlining a set of ambitious and detailed actions designed to make the Councils carbon neutral by 2030.

Alongside the organisational work, the Councils have developed an area wide framework called SustainableAW which was published in December 2019. This was followed by a major community-led conference Zero2030 and a Climate Assembly process which provided a representative forum for residents over six one day sessions to engage with the climate and ecology challenge, creating ideas for action.

5.3.4 **Good Services and New Solutions**

Much of the Medium-Term Financial Strategy is underpinned by new approaches to how we design and deliver our services, and develop our commercial activities and investment portfolios. These approaches are not only designed to improve the financial sustainability of the Councils, but also the services that our communities, clients and customers experience. We will continue to invest in service improvement, using research and design methods to understand what needs to change in our services, working with staff to drive a customer first ethos and using our digital platforms to deliver simple, efficient digital service channels.

- 5.4 The final budget will be dependent on Members' consideration of the non-committed growth proposals, and the Council Tax increase that Members are prepared to support.
- 5.5 The key question of how the net budget requirement translates into the Council Tax charge can now be determined as the proposed details of the Local Government Finance Settlement have been received. Any final changes arising from settlement will be dealt with through the reserves. However, if there is a significant reduction in government resources, in-year action will be needed to reduce the final impact on the reserves.
- 5.6 Details of all of the main changes in the base budget from 2021/22 to 2022/23 are at Appendix 1. A breakdown of each Executive Member's summary budget is attached in Appendix 5. The changes can be summarised briefly as follows:

	£'000	£'000
2021/22 Original Estimate		9,581
Add: General Pay and Price Increases		451
Add: Committed and Unavoidable Growth:		
Net reduction in Cost pressures relating to Covid 19	-595	
One-off Covid 19 contingency budget and other one-off budgets funded by one-off government grants	175	
Impact of delivering Platforms	34	
Other committed growth	183	
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	-203	
Reduced income due to Covid 19	52	
Impact of Capital Investment and Development Programme	114	-37
Less: Compensatory savings and additional Income:		
Compensatory savings	-145	
Additional income	0	-145
2022/23 budget prior to agreed savings		9,850
Less: Savings agreed by members		
Approved in December	-168	-168
Executive Member requirements		9,682
Potential contribution to reserves / amount available to invest in services (see Appendix 2)*		60
Potential budget requirement before external support		9,742
Collection fund deficit		99
2022/23 BUDGET REQUIREMENT		9,841

* The planned contributions to and from the reserves are analysed in Appendix 3. The final amount will depend on the decisions made about the proposals to invest in services at Appendix 2 and the Council Tax increase.

5.7 The estimates reflect the Council's share of the Joint Strategic Committee budget. The allocation of the costs of joint services under the remit of the JSC has been the subject of an annual review this year for any significant changes.

Further details can be provided by request from Emma Thomas (Chief Accountant) or Sarah Gobey (Chief Financial Officer).

5.8 The projected deficit on the Council Tax element of the Collection Fund is estimated to be £897,600, of which £137,230 is the District Council share. The deficit carried forward from 2020/21 must be spread over the three years 2021/22 - 2023/24 and so an element of the deficit relating to 2020/21 will be recouped in 2023/24. Consequently, current deficit will be recouped as follows:

	2022/23	2023/24
	£	£
Adur DC	-99,030	-38,200
West Sussex CC	-480,380	-185,290
Sussex Police CC	-68,340	-26,360
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	-647,600	-249,850

The deficit reflects the impact that the Pandemic is having on the amount of Council Tax Discounts claimed and the level of debt outstanding. The Government committed to support any 2020/21 deficits through the Local Taxation Compensation Scheme. The Council received a grant of £181,000 in 2020/21 which will be used over the three years to offset the losses incurred during the year.

5.9 Members are now faced with two questions:

- What level of Council Tax to set?
- Whether to accept the growth items detailed in Appendix 2?

The decisions made today will be reflected in the budget papers presented to Council.

5.10 **The Council Tax increase:**

5.10.1 The decision over the level of increase to the Council Tax influences not only the current budget but future budgets as well. Over the past 10 years, the Council Tax has been increased by 12.24%, an average of 13.35% per year (in 2011/12 the average Band D tax was £274.72, in 2021/22 it was £311.40). Over the equivalent period, inflation (CPI) has been 18.66%.

5.10.2 The budget forecast currently assumes that Council Tax will increase by just under 2.0% in 2022/23. The most recent inflation index was 5.4% (CPI in December 2021) and so the forecast rate is significantly below current inflation rates.

5.10.3 A 2% uplift would only be a modest increase in the Council share of the bill for 2022/23. The table below details how the average Council Tax will change as a result of a 1%, 1.5%, 1.8% and just under 2% increase.

	2021/22	Average annual increase for 2022/23			
		1%	1.5%	1.75%	1.99%
	£	£	£	£	£
Council Tax Band D	311.40	314.51	316.07	316.85	317.61
Annual increase		3.11	4.67	5.45	6.21
Weekly increase		0.06	0.09	0.10	0.12
Council Tax Band C	276.8	279.56	280.95	281.64	282.32
Average annual increase		2.76	4.15	4.84	5.52
Average weekly increase		0.05	0.08	0.09	0.11
Total additional Council Tax raised		67,480	101,330	118,260	134,750
Additional Council Tax raised over a 1% increase			33,850	50,780	67,270

5.10.4 Members should also be aware that the Police and Crime Commissioner has previously consulted on a £10.00 (4.65%) increase for their share of the overall bill. Whilst the level of increase to be set by the County Council is unknown at this stage, given the financial pressures that the County is under, there are indications that the increase will be close to the maximum permitted (3%). Consequently, the total overall increase in the average Council Tax bill for a Band D property based on the Council opting to set the tax at the maximum allowed could be close to 3%:

	2021/22	2022/23 (Indicative only)	%
	£	£	
Adur District Council	311.40	317.61	1.99%
West Sussex County Council	1,510.56	1,555.83	2.99%
Sussex Police and Crime Commissioner	214.91	224.91	4.65%
	2,036.87	2,098.35	3.02%

5.10.5 The decision to raise Council Tax influences not just the 2022/23 budget but future years and should be considered alongside the projected budget shortfalls for the next 5 years, as there are long term consequences to setting a Council Tax increase significantly lower than the maximum permitted. This is particularly significant at the moment given the scale of the withdrawal of government funding the Council will contend with over the next 2 - 3 years following the introduction of the fairer funding review. Potentially the next few years are financially challenging with significant savings required in each financial year of:

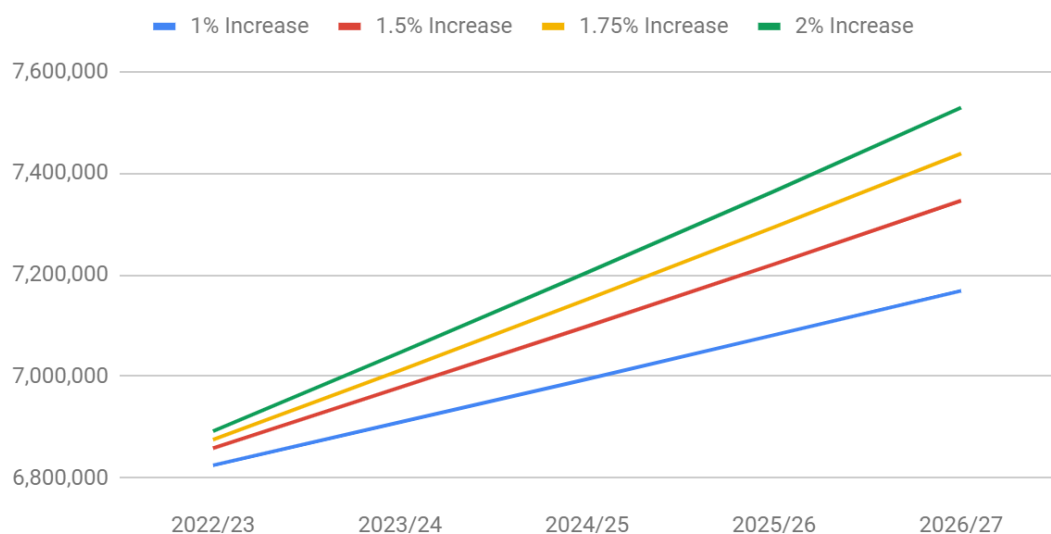
Estimated budget shortfall	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Annual saving	1,151	144	356	340
Cumulative Savings	1,151	1,295	1,651	1,991

5.10.6 The impact of changing the Council Tax by 1%, 1.5%, 1.75% and 2.00% annually would be as follows:

Total income	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
1% annual increase	6,824,770	6,909,880	6,994,430	7,081,270	7,168,430
1.5% annual increase	6,858,620	6,978,390	7,098,420	7,220,890	7,345,820
1.75% annual increase	6,875,550	7,011,670	7,151,390	7,293,650	7,438,450
2% annual increase	6,892,040	7,046,900	7,204,360	7,364,440	7,529,120

Over the longer term, a higher increase will give the Council significant additional income:

Adur District Council - Long term impact of Council Tax increases



5.10.6 Members are asked to consider which level of Council Tax increase that they support. An increase just under 2.00% would enable the Council to set a balanced budget and fund all of the proposals for investment in services recommended for approval in Appendix 2. However, if a lower rate is set, then additional savings will have to be identified to fund the financial consequences as it would be inappropriate to use the reserves to balance the budget.

5.10.7 At this late stage in the budget process, it would be difficult to make any decisions that result in service reductions as these should be the subject of consultation, however the option remains to defer projects or the proposed investments into services to generate an in-year saving and fund the desired level of Council Tax increase.

5.11 Summary of budget position

Depending on the choices made regarding the Council Tax increase and the new growth items; the overall budget position will be (based on a 1.99% increase):

Net budget requirement	£'000	£'000 9,682
Less:		
Baseline Funding	-1,767	
Share of additional Business Rate income	-766	
Council Tax (1.99% increase)	-6,892	
Other grants	-416	
Collection Fund Deficit	99	-9,642
Budget surplus based on 1.99% Council Tax increase		-60
Maximum impact of accepting the growth items (Appendix 2)		60
Budget balanced at a 1.99% Council Tax increase		-

6.0 IMPACT ON FUTURE YEARS

6.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown in Appendix 1 (which includes an assumed 1.99% tax increase for 2022/23 which is to be considered as part of this report). The settlement, together with the other agreed changes to the budget means that the Council is likely to face a minimum shortfall of:

	Expected shortfall (Cumulative)				
	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Budget shortfall prior to approving growth	108	1,259	1,403	1,759	2,099
Impact of accepting the growth items at appendix 2	60	60	60	60	60
Cumulative budget shortfall as per appendix 1	168	1,319	1,463	1,819	2,159
Less:					
Net savings identified in 2021/22 budget round	-168	-168	-168	-168	-168
Adjusted cumulative budget shortfall	-	1,151	1,295	1,651	1,991
Savings required each year	-	1,151	144	356	340

6.2 The continuation of the withdrawal of government funding has significant consequences for the Council . Looking ahead, the stimulation of the local economy and provision of additional housing will be two of the measures which will help protect the Councils services. There are potentially three benefits which flow from an improving economy and which will directly improve the council's financial position:

- Increased income from business rates which is discussed fully in section 4 above;
- Reduced cost of Council Tax benefits from any new jobs created;
- Additional Council Tax income from each new home;

6.3 However, these measures are unlikely to be enough. The Council has previously approved a budget strategy to:

- Generate £150k more commercial income per year;
- Rationalise the use of assets to reduce running costs and generate opportunities for disposal;
- Invest in new assets where these provide the opportunity to improve the local economy, the supply of housing or to reduce our carbon footprint;
- Promote efficiency whether this is through the digital strategy or by improving customer service; and
- Reducing the cost of temporary and emergency accommodation.

Overall, if the Council delivers upon the current budget strategy then the level of new initiatives required each year to balance the budget will reduce as follows:

	Expected shortfall per year			
	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Annual budget shortfall	1,151	144	356	340
Future savings from budget strategy:				
Investment in new assets	-100	-100	-100	-100
Commercial activities	-150	-150	-150	-150
Service and digital redesign	-80	-80	-80	-80
Asset rationalisation and disposal programme	-30	-30	-70	-70
Excess savings (-) / new savings initiatives to be identified	791	-216	-44	-10

6.4 With the delay to the fairer funding review, the challenge has now moved onto 2023/24 which becomes a more challenging year. Given the scale of savings that the Council needs to deliver from 2023/24 onwards, it is intended to do a full refresh of the strategy to ensure the Council meets the challenges of the next few years and continues to set a budget without reliance on reserves.

7.0 RESERVES

7.1 Sections 26 and 27 of The Local Government Act 2003 require the Council's Chief Financial Officer to comment on the adequacy of the Council's reserves. The reserves have therefore been reviewed in accordance with best practice.

7.2 To enable a view to be taken on the adequacy of reserves, Members need to be aware that, broadly speaking, there are two categories of revenue reserves relevant to the Council. The General Fund Working Balance which primarily is available to cushion the impact of uncertain cash flows and act as a contingency to meet unforeseen costs arising during a budget year (e.g. unexpected increases in the demand for services or losses in income); and Earmarked Reserves which are sums held for specific defined purposes and to meet known or predicted liabilities. Both categories of reserves can be used on a planned prudent basis to underpin the annual budget.

7.3 The Council's established policy is to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. The current balance as at 31st March 2021 is £951,400. The working balance was increased in 2019/20 to mitigate the additional risks that the Council is carrying in the light

of the pandemic. The balance is 9.9% of net 2021/22 revenue expenditure and is in the upper part of the range of 6% -10% set by the Council. There are no plans to draw down from the working balance other than to fund any potential overspend from 2021/22 and if needed this reserve will be boosted over the next few years from any in-year underspend to ensure that it remains sufficient to manage risks.

The year-end level on the General Fund Working Balance for the foreseeable future, therefore, is estimated as follows:

		£'000	%
31.03.2021	Balance carried forward – per Final Accounts	951	9.9
31.03.2022	Use of reserves expected to fund the potential 2021/22 overspend.	909	9.3
31.03.2023	No planned drawdown or contribution expected	909	9.8
31.03.2024	No planned drawdown or contribution expected	909	9.6
31.03.2025	No planned drawdown or contribution expected	909	9.4

7.4 On the basis of the year-end figures above, and taking into account past performance and the acknowledged track record of sound financial management in this Council, I believe the working balance is adequate for its purpose. In forming this view I have considered the following factors:

1. The Government has provided additional funding for 2022/23 which has been placed into a contingency budget to enable the Council to manage financial risks next year.
2. The Council has created specific budgets to manage any void losses related to commercial property and where there are likely to be ongoing losses these have been built into the revenue budget.
3. Interest rates are extremely low at present (0.25% base rate) and this has been reflected in our budgets. A further fall in interest rates of 0.1% would cost the Council in a region of £14,000 in 2022/23 in lost investment income.
4. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £108,800.

6. Any use of the working balance would be difficult to recoup in the short term. Consequently, the reserve needs to be sufficient enough to cope with at least two years of adverse impacts.

Against this background, and especially given the current economic climate and the impact of the pandemic, it is important that the Council maintains its reserves at the planned amount for the foreseeable future.

- 7.5 However, with the planned expansion of commercial activity, especially the investment in commercial property, the council has taken two other measures to further manage risk and bolster the reserves:

- i) As part of the initiative to invest in commercial property, an element of the additional rent raised every year is being set aside into a specific reserve to manage void periods on these properties and to set aside resources to fund future investment needs. The annual provision will be £650,000 in 2022/23. This provision will be gradually built up over the next 5 years to a level of £1,050,000 per year by 2026/27.
- ii) Following the LGA peer review, there was a change in approach to the management of general inflation (excluding inflation on items such as salaries, rates, utilities, and contractual commitments). This is no longer allocated out this year but held centrally in the Corporate Management budget. This budget will be allocated out where the inflationary pressure can be demonstrated. Any unutilised budget at the year end will be transferred to the reserves and the budget offered up as a budget saving for the forthcoming year. This also provides a contingency budget for in-year pressures.

- 7.6 In the medium term, once the challenges of the next couple of years have been addressed, the council should review the position and take proactive steps to further bolster the overall reserves.

- 7.7 The estimated balance of general fund earmarked reserves as at 31st March, 2022 is £979,000, excluding the Business Rates Smoothing Reserve, any Section 106 sums held for future environmental improvements, grants, and any specific capital resources. Overall, the level of reserves held by the Councils is expected to improve over the forthcoming years as follows:

	Balance as at 31st March				
	2021	2022	2023	2024	2025
	Actual	Est.	Est.	Est.	Est.
	£'000	£'000	£'000	£'000	£'000
General Earmarked Reserves	1,486	979	1,570	2,303	3,153
Business Rates Smoothing Reserve	3,768	663	297	166	166
Grants and Contributions	1,343	1,343	1,343	1,343	1,343
Total earmarked reserves	6,597	2,985	3,210	3,812	4,662
General Fund Working Balance	952	910	910	910	910
Total reserves	7,549	3,895	4,120	4,722	5,572

A detailed schedule of the earmarked reserves is attached at Appendix 3. The significant risks to the overall budget and the Council's reserves are detailed below.

- 7.8 Given the relatively low level of reserves, it is now critical that these reserves be used only as a funding resource of last resort until such time as the reserve level has recovered to some extent. The Council has over the past year minimised new calls on such resources, utilising the ability to use capital receipts to fund initiatives to generate budget savings where possible.
- 7.9 In all probability, the Council will continue to have occasional opportunities to put money into earmarked reserves rather than solely to drawdown on a planned basis. Even without this, I believe the earmarked revenue reserves are adequate for their particular purposes provided that they are used sparingly.
- 7.10 However the size and nature of the risks to the overall budget leaves the Council with little room for using these reserves for new on-going spending initiatives. The Council should maintain its current policy of spending its scarce earmarked reserves on:
- supporting one-off rather than recurring revenue expenditure;
 - dealing with short-term pressures in the revenue budget; and
 - managing risk to the Council's budget.

8.0 SIGNIFICANT RISKS

- 8.1 Members will be aware that there are several risks to the Council's overall budget. These can be summarised as follows:-

(i) **Pandemic**

The risks associated with the pandemic are set out in detail in paragraph 5.2.2. However in summary we are expecting risks in a number of areas - income, cost of housing provision, impact on cost of contracts, and additional staffing costs. Wherever possible allowance has been built into the budget to accommodate these risks, but the scale of the challenge may be greater than expected.

(ii) **Withdrawal of funding by partners**

All budgets within the public sector are under scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, the council may lose funding for key priorities and be left with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

- (iii) **Income** - The Council receives income from a number of services which will be affected by demand particularly at the moment due to the impact of the pandemic. These include land charges, crematorium income, trade and green waste services, development control and now business rates. Whilst known further reductions in income have been built into the proposed budgets for 2022/23: the pace of recovery may be slower than anticipated; income may fall further than expected; or new targets for commercial income may not be met.

The Council is investing in new commercial property, as leases expire there is an increased risk of loss of income from voids. To mitigate this risk the Council has introduced an annual provision for void rents which will be £650,000 in 2022/23. This will be increased annually in line with the level of investment in the property portfolio and the associated risk.

- (iv) **Inflation** - A provision for 2% inflation has been built into pay and non-pay budgets. Whilst the Bank of England inflation forecasts expect that inflation will gradually return to 2% in 2022/23, there is a risk that inflation will run at a higher rate than allowed for within the budget. Each 1% increase in inflation is equivalent to the following amount:

	1% increase
	£'000
Pay	108
Non-pay	46

8.2 To help manage these risks, the Council has created a contingency budget of £120,000. The Council also has a working balance of £951,000 and £1.0m of other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

9.1 The Council ran a detailed consultation exercise which supported the proposed five year budget strategy. In light of this, no consultation exercise was undertaken this year.

9.2 Officers and members have been consulted on the development of the budget.

10.0 UPDATE TO PRUDENTIAL INDICATORS

10.1 The Council's budget fully reflects the cost of financing the capital programme. Members have previously approved sufficient growth to accommodate the proposed capital programme. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2022/23 and future years.

10.2 Under the Prudential Code of Practice and the capital finance system introduced in April 2004, the capital programme is based on the Council's assessment of affordability. This includes any new borrowing which the Council wishes to undertake.

10.3 The Code of Practice has been revised with a new code due to be introduced for 2023/24. The freedom for local authorities to set the scope and size of their capital plans remains unrestricted, but the prudential system processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting improved through the governance procedures. There is also stronger guidance on commerciality which effectively prohibits solely commercial investment and requires the Council to regularly review current commercial investments. However this change was pressaged by the new rules surrounding borrowing from the PWLB and the Council has long since adapted it's property investment criteria.

10.4 The Prudential Code of Practice requires the Council to set a series of indicators to show that the capital programme has due regard to affordability, sustainability and prudence. These are included with the annual Treasury Management Strategy Statement which is due to be considered by JSC on the 8th February 2022 and which will be included in the Council budget pack for approval.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

11.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report in making their decisions.

11.2 As Members are aware, local authorities decide every year how much they are going to raise from Council Tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. Because they decide on the Council Tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition;
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient which has been considered in detail on section 7 of the report.
- Creating contingency budgets to help manage the greater risks associated with the pandemic as set out in paragraph 5.2.2

11.3 Overall view on the robustness of the estimates:

Subject to the important reservations below, a reasonable degree of assurance can be given about the robustness of the estimates and the adequacy of reserves. The exceptions relate to:

- (1) The provision of estimates for items outside of the direct control of the Council:
 - Income from fees and charges in volatile markets particularly at the moment given the pandemic, e.g. car parks and development control fees.
 - External competition and declining markets, particularly during a recession. E.g. Local land charges and building control fees.
 - Changes to business rate income due to revaluations, redevelopments and increases in mandatory rate relief.

- (2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.
- (3) Initiatives and risks not specifically budgeted for.

It will therefore be important for members to maintain a robust budget monitoring regime during 2022/23.

11.4 The Chief Financial Officer's overall view of the robustness of the estimates is, therefore, as follows:

The processes followed are sound and well established and identical to those that produced robust estimates in the past. The Council has also demonstrated that it has a sound system of financial management in place.

12.0 COUNCIL TAX SETTING

12.1 The Council is obliged to raise the balance of its resources, after allowing for any government grant and business rates, to finance the General Fund Revenue Budget from its local Council Taxpayers. The Adur District Council Tax will be added to the Precepts from West Sussex County Council and the Sussex Police and Crime Commissioner to form a combined Council Tax to levy on the taxpayers of Adur. This will be formally approved by Council on the 24th February 2022 via a report on the Council Tax Determination. The following paragraphs brief members on the overall content of the determination and seeks approval for both the tax base and special expenses.

12.2 Once the Executive has reached a decision on the Total Budget Requirement it wishes to recommend to the Council for the 2022/23 Budget, the resulting Council Tax for the District can be set. This takes into account the Total Aggregate External Finance (Government grants and Business Rates contributions) and any contribution to or from the local Collection Fund.

12.3 Adur District Council:

- (a) The following table shows the net sum to be raised from local Council Taxpayers in 2022/23 prior to the consideration of the budget proposals. This is based on 1.99% Council Tax increase, the maximum increase permitted without triggering the requirement for a referendum:

	£	£
Net 2022/23 Budget *		9,682,460
Less: Aggregate External Finance		
Baseline Funding	-1,767,150	
Additional Retained Business Rate income	-765,580	
New Homes Bonus	-156,520	
Lower Tier Services Grant	-79,270	
Services Grant	-121,820	
Local Tax Guarantee Scheme - use of set aside grant	-59,010	
Contribution to the Collection Fund deficit (as per paragraph 5.8)	99,030	
Total Aggregate External Finance		-2,850,320
Minimum amount to be raised from Council Tax		6,832,140
Net additional impact of proposals identified in Appendix 2 if all approved		59,900
Amount to be raised from Council Tax based on 1.99% Council Tax		6,892,040

- * 2022/23 budget requirement after any contribution to or from reserves required to balance the budget or any further increase to Council Tax.

Within section 5 of the report, members are given the options for the Council Tax and approving the service investment proposals.

(b) Council Tax Base

The Council's Tax base for 2022/23 is 21,699.70 Band D equivalent properties. There is an increase to the current year base of 21,232.80 which is largely due to a decreasing level of Council Tax discounts. The full calculation of the tax base is shown in Appendix 4.

	2021/22 Tax Base	2022/23 Tax Base
Lancing	6,306.00	6,415.30
Sompting	2,755.40	2,759.90
Other areas	12,171.40	12,524.50
TOTAL	21,232.80	21,699.70

(c) Special Expenses

At the extraordinary meeting of Council held on 10th January 1995, Maintenance of recreation grounds and provision of community buildings were agreed as special expenses not chargeable in the Lancing area under the terms of section 35 of the Local Government Finance Act 1992. In 2022/23 expenditure of £386,140 (£364,260 in 2021/22) falls under the resolution and will need to be financed by a Band D tax of £25.29, to be charged in all areas of the District except Lancing.

(d) Adur District Council Band D Council Tax

In Section 5.10, the options for the Council Tax increase are discussed in detail. An average Council Tax increase of 1.24% will ensure that the Council has a balanced budget, an average increase of 1.99% will lever in sufficient additional resources to fund the service investment proposals recommended for approval at Appendix 2 and deliver a balanced budget.

The actual amount charged in each area will depend on whether Special Expenses is charged and the level of the Basic Council Tax. The final agreed amounts will be incorporated into the Council Tax determination.

Area	2021/22	2022/23 (Average 1% increase)	2022/23 (Average 1.5% increase)	2022/23 (Average 1.75% increase)	2022/23 (Average 1.98% increase)
Lancing - Basic Council Tax	£ 294.21	£ 296.73	£ 298.26	£ 299.07	£ 299.79
Percentage increase		0.86%	1.38%	1.65%	1.90%
Annual increase (Band D)		2.52	4.05	4.86	5.58
Weekly increase (Band D)		0.05	0.08	0.09	0.11

Area	2021/22	2022/23 (Average 1% increase)	2022/23 (Average 1.5% increase)	2022/23 (Average 1.75% increase)	2022/23 (Average 1.98% increase)
	£	£	£	£	£
Shoreham, Southwick, Sompting and Coombes					
Basic Council Tax	294.21	296.73	298.26	299.07	299.79
Special Expenses	24.03	25.29	25.29	25.29	25.29
TOTAL in Shoreham, Southwick, Sompting and Coombes	318.24	322.02	323.55	324.36	325.08
Percentage increase		1.19%	1.67%	1.92%	2.15%
Annual increase (Band D)		3.78	5.31	6.12	6.84
Weekly increase (Band D)		0.07	0.10	0.12	0.13

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council requirements are expected to be confirmed on 18th February, 2022. The proposed Police and Crime 2022/23 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 28th January 2022.

	2021/22 £	2022/23 £
West Sussex County Council	1,510.56	t.b.c
Sussex Police Authority	214.91	t.b.c
TOTAL	1,724.47	t.b.c.

12.5 The final figures for all authorities including the parish councils will be incorporated into the formal Council Tax setting resolution to be presented to the Council at its meeting on 24th February 2022.

13.0 LEGAL IMPLICATIONS

13.1 The Local Government Act 2003 requires that the Council sets a balanced budget. This report demonstrates how Adur District Council will meet this requirement for 2022/23.

14.0 CONCLUSION

14.1 This has been another challenging year in which the Council has had to address a budget shortfall of £0.168m whilst contending with a pandemic. The Government is providing more support in 2022/23 however much of this support is one-off in nature, consequently these additional resources have been set aside to support the Council in managing the risks associated with the pandemic. To meet this challenge the Council has identified £0.168m of savings and is now in the position to set a balanced budget.

14.2 With the further delay to the Fair Funding Review, the financial challenge now moves to 2023/24. It is now clear that the Government does intend to introduce the Fairer Funding review for 2023/24 although there may well be some form of transitional relief as we move from one funding system to another. Consequently we must prepare the Council for the impact of the review and so the budget round will again be difficult as the Council grapples with the impact of reducing government funding, the continued impact of the Pandemic on our finances and the building capacity to invest in the initiatives detailed in Platform for our Places. Consequently, the strategy of delivering commercial income growth and business efficiencies continues to play a vital role in balancing the budget. Nevertheless, given the scale of the potential challenges ahead, a refreshed budget strategy will be presented in July next year which will bring forward new savings initiatives.

14.3 Provided we continue to deliver on this strategy, the Council will become increasingly financially resilient over the next 5-10 years as government funding reduces and we become largely funded by our community through Council Tax, retained Business Rates and income from our commercial services.

14.4 The aims of 'Platforms for our Places' are critical to our success. Developing the local economy to increase employment space and local jobs together with the provision of new homes is one of the strategic measures that the Council can take to protect its longer term financial interests, however there will inevitably be some difficult days ahead as the Council seeks to address the remaining budget shortfall.

14.5 There will need to be a sharp focus on financial health over the next couple of years whilst we balance the budget and rebuild the reserves. However, we must not forget that the Council has a good track record in dealing with such challenges

14.6 Finally, in preparing the strategy and forecast for 2022/23 an assessment was carried out of the significant risks and opportunities which may have an impact on the Council's budget. Where quantifiable, the budget has been adjusted accordingly but it is important to acknowledge that there are still some risks to the overall position which may have to be funded from reserves. Members will continue to receive regular budget monitoring reports and updates to the Council's 5-year Medium Term Financial Plan, to ensure that the financial challenges ahead are effectively met.

Local Government Act 1972

Background Papers:

Report to the Joint Strategic Committee 7th December 2021 'Towards a sustainable financial position - Budget update '

Report to the Joint Strategic Committee 7th December 2021 'Investing in our Places : Capital Programme 2021/22 to 2023/24'

Local Authority Finance (England) Settlement Revenue Support Grant for 2022/23 and Related Matters: MHCLG Letters and associated papers of 16th December 2021.

2021 Spending Review – On-the-day briefing

Local Government Act 2003 and Explanatory Note

"Guidance Note on Local Authority Reserves and Balances" – LAAP Bulletin No. 77 - CIPFA -published in November 2008

Statement of Accounts 2020/21

Report to Joint Strategic Committee 7th December 2021 – 2nd Revenue Budget Monitoring Report (Q2)

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified

4. GOVERNANCE

Matter considered and no issues identified

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2021/22 - 2026/27

Net Spending to be Financed from Taxation	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	9,581	9,581	9,581	9,581	9,581	9,581
(a) Annual Inflation						
Estimated inflation		303	604	904	1,196	1,495
Impact of 2021/22 pay rise		10	10	10	10	10
Impact of new increase to national insurance (1.25%)		138	141	144	147	150
(b) One -off / non-recurring items						
Local Elections (held every other year)		(18)	-	(19)	-	(20)
(c) Impact of Covid 19 pandemic						
Delay to Fairer Funding Review - Homeless funding to continue for 2022/23		-	297	297	297	297
Impact of new leisure contract		(205)	(223)	(322)	(322)	(322)
Removal of one-off budgets:						
Council Tax Support - discretionary reliefs		(111)	(111)	(111)	(111)	(111)
2021/22 Covid 19 contingency budget		(447)	(447)	(447)	(447)	(447)
Increasing demand on homelessness budgets		150	150	150	150	150
2022/23 Covid contingency budget		120	-	-	-	-
One-off costs associated with the Local Plan		55				
Reduction in car parking income due to extended pandemic measures.		52	26	-	-	-
Unachieved saving in 2021/22 due to impact of pandemic		18	18	18	18	18
(d) Impact of funding 'Platforms'						
Measures to reduce waste - Impact of the Environment bill		-	72	72	72	72
Bike share scheme		34	60	60	60	60
Heat Network		-	-	10	10	10
(e) Capital Programme and Treasury Management						
Capital programme financing costs		220	293	350	500	675
Impact of AW workspaces project		(106)	(106)	(106)	(106)	(106)
Investment income		-	(40)	(82)	(126)	(171)
(f) Other items						
Reduction in pension contributions:						
Back-funded pension payment reduction		(52)	(52)	(52)	(52)	(52)
Reduction in pension contributions rate		(75)	(76)	(78)	(78)	(78)
Building maintenance		25	25	25	25	25
Increase in tipping charges due to new contract		45	45	45	45	45
Allowance for committed growth items approved in December		113	183	253	323	393
(g) Service investment proposals (see appendix 2)		60	130	200	270	340
Total Cabinet Member Requirements	9,581	9,910	10,580	10,902	11,462	12,014

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2021/22 - 2026/27

Net Spending to be Financed from Taxation	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
Total Cabinet Member Requirements B/fwd	9,581	9,910	10,580	10,902	11,462	12,014
Funding from taxation						
Baseline funding	1,767	1,767	1,802	1,838	1,875	1,913
Add: Retained additional business rates	668	766	391	397	403	413
Add: Share of previous year's surplus / (deficit) after use of business smoothing reserve		-				
Adjusted Baseline funding	2,435	2,533	2,193	2,235	2,278	2,326
Council Tax income	6,612	6,892	7,047	7,204	7,365	7,529
Other grants						
New homes bonus (2019/20 - 2022/23)	10	10	-	-	-	-
New homes bonus (2021/22)	8	-	-	-	-	-
New homes bonus (2022/23)	-	147	-	-	-	-
Total NHB	18	157	-	-	-	-
Lower Tier Services Grant	75	79	-	-	-	-
Local Tax Guarantee Scheme - Council Tax	63	59	59			
Covid 19 Funding Allocation	322	-	-	-	-	-
Covid 19 Funding - Council Tax Support Grant	111	-	-	-	-	-
Services Grant	-	121	-	-	-	-
Collection fund surplus/deficit (-)	(55)	(99)	(38)			
Total other grants and contributions	534	317	21	-	-	-
Total Income from Grants and Taxation	9,581	9,742	9,261	9,439	9,643	9,855
AMOUNT REQUIRED TO BALANCE BUDGET	-	168	1,319	1,463	1,819	2,159
Savings strategy:						
Strategic Property Investment Fund						
Future developments			200	400	600	800
Provision for future voids		(100)	(200)	(300)	(400)	(500)
Commercial and Customer Activities		64	214	364	514	664
Service and Digital redesign		2	82	162	242	322
Commercial Landlord Programme		100	130	160	230	230
Other efficiency savings (net of growth)		102	102	102	102	102
Total initiatives identified		168	528	888	1,288	1,618
Cumulative savings still to be found/ (surplus)		-	791	575	531	541
Annual savings still to be found		-	791	(216)	(44)	10

		<i>Expected cost (cumulative)</i>								
		<i>2022/23</i>			<i>2023/24</i>			<i>2024/25</i>		
Service reinvestment proposal	Grade	<i>Joint (memo only)</i>	Adur	Worthing	<i>Joint (memo only)</i>	Adur	Worthing	<i>Joint (memo only)</i>	Adur	Worthing
Democratic Services Officer Additional capacity to support the new Committee and additional meetings now required.	7	39,970	15,990	23,980	47,960	19,180	28,780	47,960	19,180	28,780
Assistant Waste Manager Additional capacity within the waste team to support the introduction of the requirements of the Environment Act	8	54,830	19,740	35,090	54,830	19,740	35,090	54,830	19,740	35,090
Transformation programme manager Additional capacity to support the redesign of the organisation and subsequent transformation programme.	12	96,680	48,340	48,340	96,690	48,340	48,340	96,690	48,350	48,340
Less: Contribution from the HRA (50% in 2022/23 and 2023/24)		-48,340	-24,170	-24,170	-48,345	-24,170	-24,170			
Overall cost of new proposals		143,140	59,900	83,240	151,135	63,090	88,040	199,480	87,270	112,210

SCHEDULE OF EARMARKED RESERVES							
Reserve	Balance as at 01.04.21	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.22	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 CAPACITY ISSUES FUND Purpose: To enable the Council to fund one-off initiatives.	674	-	(250)	424	100	-	524
2 INSURANCE FUND Purpose: To offset the costs of insurance excesses and fund insurance risk management initiatives.	147	31	(31)	147	30	(30)	147
3 PROPERTY INVESTMENT RISK RESERVE Purpose: To offset future void rental periods in investment properties and provide for maintenance.	300	-	(78)	222	550	-	772
4. SPECIAL & OTHER EMERGENCY RESERVE Purpose: This will fund uninsured losses (eg storm damage) and any other strategic or unforeseen one-off expenditure which may arise.	60	-	-	60	-	-	60

SCHEDULE OF EARMARKED RESERVES							APPENDIX 3
Reserve	Balance as at 01.04.21	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.22	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
5. ELECTION RESERVE Purpose: To replace and update election equipment	8	-	-	8	-	-	8
6. BUSINESS RATES SMOOTHING RESERVE Purpose: This reserve is intended to smooth the impact of timing differences in the business rate system largely due to in-year changes to business rate reliefs .	3,768	-	(3,105)	663	-	(366)	297
7. LOCAL TAX INCOME GUARANTEE Purpose: The council received grant funding in 2020/21 towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the Collection Fund, the 2020/21 losses are due to be funded by the general fund over the next three years (2021/22- 2023/24). This reserve will be used to offset losses over that period.	297	-	(179)	118	-	(59)	59

SCHEDULE OF EARMARKED RESERVES							APPENDIX 3
Reserve	Balance as at 01.04.21	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.22	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
8. GRANTS & CONTRIBUTIONS HELD IN RESERVES * Purpose: The reserve is used to hold grants or contributions which have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date.	1,343	-	-	1,343	-	-	1,343
9. GENERAL FUND WORKING BALANCE	952	-	(42)	910	-	-	910
TOTAL	7,549	31	(3,685)	3,895	680	(455)	4,120
*contribution to be confirmed at year end							

PROPERTY ANALYSIS AND CALCULATION OF TAX BASE - Budget year 2022/23										
Properties Ratio to Band D	Band A - 5/9	Band A 6/9	Band B 7/9	Band C 8/9	Band D 9/9	Band E 11/9	Band F 13/9	Band G 15/9	Band H 18/9	Total
Number of Dwellings	0.0	2,781.0	5,081.0	11,455.0	6,242.0	1,992.0	756.0	324.0	8.0	28,639.0
Less: Exemptions	0.0	-90.0	-87.0	-118.0	-61.0	-20.0	-5.0	-1.0	0.0	-382.0
	0.0	2,691.0	4,994.0	11,337.0	6,181.0	1,972.0	751.0	323.0	8.0	28,257.0
Disabled Relief Adjustment (net)	7.0	5.0	40.0	-6.0	-27.0	-11.0	0.0	-2.0	-6.0	0.0
Chargeable Dwellings	7.0	2,696.0	5,034.0	11,331.0	6,154.0	1,961.0	751.0	321.0	2.0	28,257.0
Broken down as follows:										
Full Charge	5.0	907.0	2,715.0	7,720.0	4,481.0	1,511.0	605.0	269.0	1.0	18,214.0
25% Discount (including adj for SP Dis)	2.0	1,770.0	2,291.0	3,590.0	1,668.0	445.0	141.0	45.0	0.0	9,952.0
50% Discount	0.0	6.0	4.0	12.0	4.0	3.0	5.0	7.0	0.0	41.0
0% Discount (Long Term Empty Homes)	0.0	78.0	106.0	104.0	31.0	8.0	6.0	5.0	1.0	339.0
Total Equivalent Number of Dwellings	6.5	2,253.0	4,459.3	10,427.5	5,735.0	1,848.3	713.3	306.3	2.0	25,751.0
Total Equivalent Number of Dwellings (after family annexe)	6.5	2,258.4	4,483.8	10,436.5	5,736.0	1,850.3	713.3	306.3	3.0	25,793.9
Reduction in tax base due to Council Tax Support	-2.2	-658.9	-879.2	-974.8	-239.2	-36.2	-3.8	-1.6	0.0	-2,795.9
Adjusted equivalent total dwellings	4.3	1,599.5	3,604.6	9,461.7	5,496.8	1,814.1	709.5	304.7	3.0	22,998.0
Band D Equivalents										
Revenue Support Settlement	2.3	1,066.3	2,803.6	8,410.4	5,496.8	2,217.2	1,024.7	507.8	6.0	21,535.1
Add: Forecast new homes	0.0	36.0	22.9	107.6	50.0	37.9	1.4	0.0	0.0	255.8
Less: Adjustments for Losses on Collection, and Void Properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Allowance for further increase in Council Tax Support Claims	-0.0	-17.6	-27.4	-34.6	-9.6	-1.8	-0.1	-0.1	-0.0	-91.2
COUNCIL TAX BASE	2.3	1,084.7	2,799.1	8,483.4	5,537.2	2,253.3	1,026.0	507.7	6.0	21,699.7

ADUR BUDGET 2022/2023 Summary of Executive Member Portfolios

APPENDIX 5

EXECUTIVE PORTFOLIO	ESTIMATE 2021/2022	ESTIMATE 2022/2023
	£	£
Environment	2,952,860	3,073,880
Health and Wellbeing	1,336,850	1,355,950
Customer Services	1,459,500	1,556,680
Leader	1,054,800	699,440
Regeneration	1,630,370	1,748,130
Resources	249,940	55,760
Support Services Depreciation Not Charged To Services	255,570	382,180
NET SERVICE EXPENDITURE	8,939,890	8,872,020
Credit Back Depreciation / Impairments	(1,504,540)	(1,534,510)
Minimum Revenue Provision	2,145,950	2,344,950
	9,581,300	9,682,460
Transfer to / from Reserves	-	-
Investment in Services to be Approved	-	59,900
Total budget requirement before external support from government	9,581,300	9,742,360
Baseline Funding	(1,767,150)	(1,767,150)
Additional business rate income	(668,700)	(765,580)
Lower Tier Services Grant	(75,260)	(79,270)
Local Tax Guarantee Scheme	(62,710)	(59,010)
Services Grant	-	(121,820)
Covid 19 Funding Allocation	(321,420)	-
Covid 19 Funding - Council Tax Support Grant	(111,060)	-
Other unfenced grants (New homes bonus)	(18,480)	(156,520)
Contribution to/ (from) Collection Fund	55,370	99,030
Amount required from Council Tax	6,611,890	6,892,040
Council Tax Base	21,232.8	21,699.7
Average Band D Council Tax - Adur District	311.40	317.61
% increase	2.00%	1.99%